are available for inspection during normal business hours. Certified copies of the incorporated rules shall be provided at cost upon request. The Director of the Public Utilities Commission, or his designee, will provide information regarding how the incorporated rules may be obtained or examined. These incorporated rules may be examined at any state publications depository library.

Decision No. C02-319

PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Docket No. 01R-434T

IN THE MATTER OF THE PROPOSED AMENDMENTS TO THE RULES CONCERNING THE COLORADO HIGH COST SUPPORT MECHANISM, 4 CCR 723-41, AND THE RULES CONCERNING ELIGIBLE TELECOMMUNICATIONS CARRIERS, 4 CCR 723-42.

RULING ON EXCEPTIONS AND ORDER VACATING STAY

Mailed Date: March 18, 2002
Adopted Date: January 30, 2002

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ATTACHMENT 6

I. BY THE COMMISSION

Statement

This matter comes before the Commission for consideration of Exceptions to Decision No. R01-1306 ("Recommended Decision"). In that decision, the Administrative Law Judge ("ALJ") recommended adoption of certain amendments to the Commission's Rules Prescribing the High Cost Support Mechanism ("HCSM Rules"), 4 CCR 723-41, and the Rules Prescribing the Procedures for Designating Telecommunications Service Providers as Eligible Telecommunications Carriers ("ETC Rules"), 4 CCR 723-42. Pursuant to § 40-6-109(2), C.R.S., the Colorado Telecommunications Association ("CTA"), and AT&T Communications of the Mountain States, Inc., and AT&T Local Services on behalf of TCG Colorado ("AT&T") filed Exceptions to the Recommended Decision. Western Wireless Corporation ("Western Wireless") and N.E. Colorado Cellular, Inc. ("NECC"), filed responses opposing the Exceptions. Additionally, by Decision No. C02-18, we stayed the Recommended Decision on our own motion, in accordance with § 40-6-109(2), C.R.S., to allow for Commission review of the rules recommended by the ALJ. Now being duly advised, we grant the Exceptions by CTA, in part, and deny them, in part; we deny the Exceptions by AT&T; and we vacate the stay issued in Decision No. C02-18.

II. DISCUSSION

A. Introduction

1. We initiated this proceeding by issuing a Notice of Proposed Rulemaking to consider certain amendments to the HCSM Rules and the ETC Rules. *See* Decision No. C01-977 (Mailed Date of September 26, 2001). The HCSM Rules establish requirements for telecommunications carriers to receive state funds in support of their provision of local exchange telephone service in high-cost areas. Under the rules, in order to receive support under the High Cost Support Mechanism a telecommunications carrier must be designated an Eligible Provider ("EP"). The ETC Rules establish requirements for a telecommunications carrier to be designated an ETC. Such designation enables a telecommunications carrier to receive federal universal service support for its provision of local exchange service in high-cost areas.[1] The Notice of Proposed Rulemaking pointed out that the primary purpose of this proceeding is to modify our rules to make them consistent with new regulations adopted by the Federal Communications Commission ("FCC").

2. In accordance with the Notice of Proposed

[1] Under rules adopted by the Federal Communications Commission (47 C.F.R. § 54.210), state commissions such as the Colorado Public Utilities Commission are responsible for designating carriers as ETCs.

Rulemaking, the ALJ conducted a hearing in this matter. Several parties provided written or oral comment on the proposed rules. After the hearing, the ALJ recommended certain modifications to the rules, and CTA and AT&T now except to those recommendations.

B. CTA Exceptions

CTA argues that the rules recommended by the ALJ require modification for several reasons: (1) the rules improperly retain the phase-down provisions for HCSM support for rural incumbent local exchange carriers ("ILECs") receiving support under Part II of the rules; (2) the rules improperly place the burden upon rural ILECs to initiate proceedings at the FCC to redefine rural service areas; (3) the rules require clarification as to what services provided by wireless EPs will be supported by the HCSM; and (4) the rules improperly require rural ILECs to serve copies of their disaggregation plans upon competitive ETCs and EPs. We agree that the burden of initiating disaggregation proceedings (*i.e.*, proceedings to redefine rural service areas) should not be placed upon the rural ILECs themselves (argument 2), and make appropriate modifications to the ALJ's recommended rules. Otherwise, we reject CTA's arguments.

1. Phase-down of Part II Support

a. Under the HCSM Rules, rural ILECs[2] receive high-cost support under Part II of the rules. According to Rule 18.6.1, the specific amount of high-cost support (per access line) for each rural ILEC is established by order of the Commission. Once support has been established, the rural ILEC need not reapply for HCSM support. However, Rule 18.6.1.2 establishes a seven-year phase-down period: HCSM support declines from 100 percent (of the amount established by the Commission) in years 1 and 2, to 0 percent in 7 seven. Notably, the Commission, upon request of the rural ILEC, may reestablish the per access line support for that ILEC as part of a general rate proceeding. The reestablished support level will then be effective for a new seven-year period. In effect, unless the rural ILEC submits to a complete review of its financial operations in a general rate case during the seven-year phase down period, HCSM support will decline to 0 percent. The Recommended Decision retains Rule 18.6.1, and CTA objects to that recommendation.

b. CTA argues that the phase-down provision for Part II support should be eliminated for a number of reasons:

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[2] Generally, a rural LEC (or rural telecommunications provider) is a LEC serving exchanges of 10,000 or less access lines. *See* Rule 2.16 of the HCSM Rules.

CTA notes that in Docket No. 00T-494T (concerning intercarrier compensation) the Commission is considering reform of the switched access charge system. Rural ILECs now receive a significant portion of their revenues from access charges. If the Commission, in Docket No. 00T-494T, eliminates or reduces those charges, an alternate revenue recovery mechanism must be established for the rural ILECs. The principal alternative to access charges is likely to be the HCSM fund. Therefore, CTA suggests, the phase-down rule should be eliminated in this docket.

c. We disagree with CTA's reasoning. What the Commission may do to the access charge system as a result of Docket No. 00T-494T is speculation at this time. Certainly, we are aware of the significance of access charges to all ILECs in the state. Potential changes to the access charge system, and appropriate alternatives to access charges are matters to be addressed in Docket No. 00T-494T, not here. We emphasize that the phase-down requirement for Part II HCSM support ensures that rural ILECs are not over-compensated for their provision of local exchange service in high-cost areas. It accomplishes that purpose without imposing substantial regulatory burdens upon the rural ILECs. Without the phase-down mechanism, the rural ILECs would be required to submit to annual comprehensive reviews of their financial operations to ensure that HCSM monies were being

used for their intended purpose only. The phase-down avoids that.

d. Second, CTA contends that the circumstances in telephone regulation have changed since the phase-down provision was first adopted. For example, CTA refers to the enactment of state (HB 1335) and federal (Telecommunications Act of 1996) laws permitting competition in the local exchange market.

e. None of the changed circumstances cited by CTA supports elimination of the phase-down provision. The phase-down requirement serves an important purpose of easing regulatory burdens on rural ILECs. None of the changed circumstances cited in the Exceptions relates directly to the phase-down requirement itself or to the purposes of that requirement. Therefore, CTA's argument does not support elimination of the rule.

f. CTA then argues that retention of the phase-down scheme for Part II support is unfair and discriminatory because Part I support (Rules 7-16 of the HCSM Rules) is not subject to a phase-down. CTA suggests that the phase-down was adopted for rural ILECs to recognize their monopoly status in their service territories at that time. However, CTA claims, the HCSM Rules were intended to end the phase-down requirement for any ILEC facing competition in its service territory. For

example, the existing HCSM Rules (Rule 4) move a rural ILEC from Part II to Part I support when a competitive EP is certified in that carrier's service territory. CTA notes that rural LECs are now facing competition because Western Wireless and NECC are now certified as EPs in their service territories. It argues that all carriers supported under Part II should be treated the same as Part I carriers with respect to the phase-down requirement.

g. We also reject these arguments. CTA's contentions ignore important differences between Part I and Part II support. In the first place, Part I support is established based upon a proxy cost model. These models use forward-looking costs, not the specific embedded costs of the individual company requesting Part I support. When the HCSM Rules were initially adopted, the Commission determined that support for rural LECs (*i.e.*, Part II) would be based upon **the individual company's embedded, historical** costs. The Commission adopted an embedded cost method for the rural companies to reduce the rural ILECs' burden in obtaining high-cost support. Our prior rules provided that rural ILECs would transition to a proxy cost model by July 1, 2003, or upon the earlier occurrence of one of two events: a competitive EP is certified to provide service in a rural ILEC's service territory, or the Commission adopts a proxy (forward-looking) cost model for the rural ILECs. *See* Rule 4.2 of the HCSM Rules. We note that the present amendments to the HCSM

Rules eliminate these transition provisions. High-cost support for the rural ILECs will continue to be based upon embedded cost methods. Therefore, Part I support is based upon forward-looking, proxy cost models; Part II support will continue to be based upon each ILEC's embedded costs. This is one reason why Part II contains a phase-down requirement, but Part I does not.

h. Moreover, Part I support as envisioned in the HCSM Rules is, in fact, subject to annual adjustment. High-cost support for Part I carriers is based upon the difference between the calculated proxy costs (per access line) and revenue benchmarks for both residential and business customers (per access line). *See* Rule 9.4 of the HCSM Rules. According to the rules, each EP certified to receive Part I support is required to provide information by March 31 of each year to reestablish the revenue benchmarks, and the revenue benchmarks are reset annually by the HCSM administrator (Rules 2.15, and 7.2.3 of the HCSM Rules). An increase in revenues by Part I EPs, therefore, would result in decreased HCSM support (assuming no change to the calculated proxy costs).

i. We also emphasize that any rural ILEC that believes it is entitled to support exceeding the phase-down amount can submit to an examination of its financial operations in a rate case. *See* Rule 18.6.1.2. CTA, however, suggests that the burden associated with a general rate case has discouraged

rural company participation in the HCSM program. As support for this contention, CTA points out that only 5 of the 29 rural ILECs now receive HCSM funding.

j. We find this argument implausible. In our view, the general lack of participation in the HCSM program by rural companies most likely reflects two facts: first, rural ILECs receive the vast majority of high-cost support from the federal universal service fund. Second, that federal support, together with other revenues, covers all costs of providing local exchange service for most rural ILECs; receipt of additional HCSM funds would, contrary to the HCSM Rules, over-compensate the rural companies for the costs of providing local service. No credible evidence exists that the phase-down requirement causes any rural ILEC to forego HCSM support to which it would otherwise be entitled. And, given the Commission's obligation to ensure that no LEC receives high-cost support that, together with other local exchange revenues, exceeds the cost of providing local exchange service (§ 40-15-208(2)(a), C.R.S.), the phase-down provision is appropriate.

k. Finally, CTA suggests simplified procedures to replace the phase-down mechanism, either the annual certification review required by the FCC for receipt of federal support, or a formulaic approach such as that used by the FCC

for the federal high-cost loop program. We reject these suggestions.

1. CTA did not present these suggestions at hearing but only in its Exceptions. The necessary details underlying these suggestions, are, therefore, unknown. As for the merits of these suggestions, we conclude: while the annual certification process requires the rural ILECs to provide some information to the Commission,[3] it is certainly not as thorough as a general rate proceeding. The HCSM Rules, even with the phase-down, give the rural ILECs an opportunity to receive substantial amounts of support for a substantial period of time with no formal proceedings to examine support amounts. It is not too much to ask that the rural companies submit to a careful examination of their financial operations at least once every seven years if they wish to retain HCSM support. In addition, we point out that the FCC itself requires comprehensive cost studies from rural LECs for some of the federal support programs (*e.g.*, for switching and long-term support). Therefore, the suggestion that the FCC uses more simplified procedures in its administration of federal support programs is not exactly accurate.

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[3] Although proposing an annual certification process here, in the last annual certification process for the federal support, CTA complained that the investigation conducted by Commission Staff was unduly burdensome.

m. For the foregoing reasons, we affirm the Recommended Decision to the extent it maintains the phase-down requirement in the HCSM Rules. CTA's Exceptions on this point are denied.

2. Disaggregation Procedures for Rural ILECs

a. In the Fourteenth Report and Order, FCC 01-157 (May 23, 2001), the FCC mandated that rural ILECs disaggregate their service areas and target their high-cost support under one of three designated paths. *See* 47 C.F.R. § 54.315. The rules recommended by the ALJ are intended to comply with these new disaggregation provisions. For example, proposed Rule 10 of the ETC Rules specifies the three paths available to rural ILECs: no disaggregation (Path 1); disaggregation in accordance with prior Commission order (Path 2); or self-certification of disaggregation to the wire center level, or into no more than two cost zones per wire center(Path 3).[4] Proposed Rule 11 of the ETC Rules mandates that any disaggregation of support under one of the paths selected under Rule 10 will also be used for purposes of disaggregating the rural ILEC's study area into smaller service areas pursuant to 47 C.F.R. § 54.207. That FCC rule provides that, for a rural LEC, "service area" means such company's "study area" until both

[4] Under any path, the Commission retains the authority to order disaggregation in a different manner than that proposed by the rural ILEC.

the FCC and the state commission establish a different definition for such company. Notably, proposed Rule 11.1 requires each rural ILEC disaggregating under Paths 2 or 3 to file a petition with the FCC seeking a redefinition of its service area in accordance with the selected path. CTA objects to the mandate that the rural ILECs themselves file the disaggregation petition with the FCC.

b. In its Exceptions, CTA argues that § 214(e)(5) of the Telecommunications Act of 1996 and FCC Rule 47 C.F.R. § 54.207 place the obligation for disaggregating rural service areas upon the FCC and state commissions, not upon the rural companies. Pursuant to these provisions, a rural ILEC cannot be forced to initiate FCC proceedings to disaggregate its service area, especially when the rural company may not agree with the disaggregation plan adopted by the Commission. CTA also suggests that proposed Rule 11.1 contravenes the Commission's decisions in the Western Wireless and NECC certification dockets--the dockets to certify Western Wireless and NECC as EPs and ETCs in rural service areas--in which the Commission stated that it intended to proceed with disaggregation of rural service areas "only after conducting adjudicative, contested case proceedings." Exceptions, page 9.

c. We grant the Exceptions to the extent CTA opposes the provisions that would compel the rural ILECs to

initiate disaggregation proceedings at the FCC. CTA correctly points out that the Commission may adopt disaggregation plans with which a rural ILEC disagrees. In this circumstance, we should not expect the rural company itself to make a formal filing at the FCC to propose a plan that it, in actuality, opposes. The rules are modified to reflect that the Commission will make any necessary filing with the FCC to redefine service areas.

d. To the extent CTA opposes any disaggregation of service areas except after further "adjudicative, contested cases," we reject that suggestion. As Western Wireless and NECC point out in their responses to the Exceptions, targeting of high-cost support and disaggregation of service areas go hand-in-hand; the disaggregation of service areas must accompany the targeting of high-cost support. Once support has been disaggregated, it would be anti-competitive to defer the redefinition service areas to a new, possibly protracted adjudicative proceeding. Western Wireless' and NECC's operations in rural areas is illustrative of this point. Both companies have been certified as competitive EPs and ETCs in rural exchanges in Colorado, and both companies stand ready to serve rural areas. However, due to limitations on their networks, neither company is able to serve the entirety of all rural ILECs' study areas. This limitation has prevented them

from receiving EP and ETC support in those areas. With high-cost support targeted to specific areas within an ILEC's study area, no reason exists to prevent Western Wireless and NECC from competing in those areas. For example, "cream-skimming" is not possible with support targeted appropriately.

e. Our conclusions here are consistent with our Western Wireless decision. In that case CTA itself opposed the certification of Western Wireless as an EP and ETC prior to disaggregation primarily because, without the targeting of support to truly high-cost customers, Western Wireless could "cream-skim" customers (*i.e.*, selectively serve lower cost customers while drawing non-disaggregated support). *See* Decision No. C01-476, pages 23 through 24. Under Rule 10, the rural ILECs themselves possess substantial control over the specific Path to be implemented. Therefore, no reason exists to further delay the disaggregation of service areas.

f. For these reasons, we adopt the provisions (*e.g.*, Rule 11 of the ETC Rules) clarifying that the plan for disaggregating high-cost support for a rural ILEC shall also serve as the plan for disaggregating service areas. To address CTA's main objection to the rules, we modify the ALJ's recommendations to provide that the Commission will make any necessary filings with the FCC to redefine rural service areas.

3. Wireless Offerings Entitled to High-Cost Support

a. CTA briefly suggests that the rules should clarify those offerings provided by wireless EPs and ETCs that are entitled to high-cost support. In particular, CTA proposes that only the Basic Universal Service offerings[5] by Western Wireless and NECC are entitled to such support; the traditional wireless calling plans offered by these wireless carriers would not be eligible for support. Western Wireless and NECC oppose this suggestion.

b. We reject CTA's request. As Western Wireless and NECC point out, the clarification requested by CTA is unnecessary. The proceedings in which Western Wireless and NECC were certified establish the conditions for support and the services to be supported. Moreover, the FCC's rules (47 C.F.R. § 54.101) and the Commission's HCSM Rules (Rule 8) already define the services EPs and ETCs must provide in order to qualify for high-cost support, and, therefore, the services that are eligible for support. No further clarification is needed.

4. Service of ILECs' Disaggregation Plans on Competing EPs and ETCs

a. Finally, CTA objects to proposed Rule 10.2.6 of the ETC Rules, which requires rural ILECs to serve copies of

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[5] The Basic Universal Service offerings were defined in the Stipulations in which, with Commission approval, Western Wireless and NECC were certified as EPs and ETCs.

their Path 2 disaggregation plans upon all competing EPs and ETCs in the study area, when those plans are filed with the Commission. CTA suggests that interested persons, including competitive EPs and ETCs, will receive sufficient notice of such filings from the Commission and the FCC.

b. We adopt the ALJ's recommended rule. The burden of serving proposed disaggregation plans upon competing carriers is slight. On the other hand, competing carriers have an important interest in those filings. It is reasonable to require the rural ILECs to serve copies of disaggregation plans upon competitors to ensure that those companies receive notice of the plans.

C. AT&T Exceptions

1. At hearing, AT&T recommended rules that would provide for audits of the HCSM fund by an independent auditor, that such audits be conducted every other year, and that the outside auditor use a consistent methodology specified by the Commission. For the most part, the Recommended Decision refused to adopt these proposals. Instead, the ALJ recommended a provision calling for periodic audits "at the discretion of the Commission." *See* Rule 10.14 of the HCSM Rules. We agree with the Recommended Decision.

2. We note that the HCSM fund is now closely administered by the Commission and its Staff, and the Commission

itself sets the annual surcharge which funds the HCSM. In addition, the Commission anticipates that Commission Staff will conduct periodic internal audits of the HCSM fund. These procedures provide substantial assurances that the HCSM fund is operating as intended and that the size of the fund is appropriate. On the other hand, the costs of independent audits could be significant. With these considerations in mind, adopting an inflexible schedule for outside audit by rule would be imprudent. The ALJ's recommendation allows for independent audits at the discretion of the Commission. We agree with that recommendation; therefore, AT&T's Exceptions are denied.[6]

III. CONCLUSION

For the foregoing reasons, we grant the Exceptions by CTA in part only. Otherwise the Exceptions by CTA and AT&T are denied. The rules appended to this decision reflect our determinations in this decision.[7]

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[6] We also observe that, contrary to the argument by AT&T, § 40-15-208(3), C.R.S., does provide that costs for administration of the HCSM, such as costs for outside audit, are subject to appropriation by the General Assembly.

[7] The rules adopted here, as reflected on the attachment to this order, highlight changes to the rules attached to the Recommended Decision.

IV. ORDER

A. The Commission Orders That:

1. The Exceptions to Decision No. R01-1306 by Colorado Telecommunications Association, Inc., filed on January 10, 2002 are granted in part, and are otherwise denied consistent with the above discussion.

2. The Exceptions to Decision No. R01-1306 by AT&T Communications of the Mountain States, Inc., and AT&T Local Services on behalf of TCG Colorado filed on January 10, 2002 are denied.

3. The stay of the Recommended Decision issued in Decision No. C02-18 is vacated.

4. The rules appended to this Decision as Attachment A are adopted. This Order adopting the attached rules shall become final 20 days following the mailed date of this Decision in the absence of the filing of any applications for rehearing, reargument, or reconsideration. In the event any application for rehearing, reargument, or reconsideration to this Decision is timely filed, this Order of Adoption shall become final upon a Commission ruling on any such application, in the absence of further order of the Commission.

5. Within 20 days of final Commission action on the attached Rules, the adopted Rules shall be filed with the Secretary of State for publication in the next issue of *The*

Colorado Register along with the opinion of the Attorney General regarding the legality of the Rules.

6. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration begins on the first day following the Mailed Date of this Decision.

7. This Order is effective on its Mailed Date.

B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING January 30, 2002.

(S E A L)

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

RAYMOND L. GIFFORD

POLLY PAGE

ATTEST: A TRUE COPY

JIM DYER

Bruce N. Smith
Director

Commissioners

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Decision No. C02-530

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 01R-434T

IN THE MATTER OF THE PROPOSED AMENDMENTS TO THE RULES CONCERNING THE COLORADO HIGH COST SUPPORT MECHANISM, 4 CCR 723-41, AND THE RULES CONCERNING ELIGIBLE TELECOMMUNICATIONS CARRIERS, 4 CCR 723-42.

DECISION DENYING APPLICATION FOR REHEARING, REARGUMENT, OR RECONSIDERATION

Mailed Date: May 7, 2002
Adopted Date: April 17, 2002

I. BY THE COMMISSION

A. Statement

This matter comes before the Commission for consideration of the Application for Rehearing, Reargument, or Reconsideration ("RRR") by the Colorado Telecommunications Association, Inc. ("CTA"). In its Application for RRR, CTA objects to certain rules approved by the Commission in Decision No. C02-319 ("Decision"). Now being duly advised, we deny the application. The rules attached to the Decision are now finally adopted.

B. Discussion

1. The Decision, in part, discusses various changes to be made to the Rules Prescribing the Procedures for Designating Telecommunications Service Providers as Providers of

ATTACHMENT 7

Last Resort, or as an Eligible Telecommunications Carrier ("ETC"), 4 *Code of Colorado Regulations* 723-42. Amendments to Rule 10 mandate that each rural incumbent carrier select one of three paths to disaggregate its study area *for purposes of targeting high cost support.* Rule 11 provides that the disaggregation plans submitted by a rural incumbent local exchange carrier pursuant to Rule 10 will also be used by the Commission *for purposes of disaggregating that carrier's service area.* CTA objects to the amendments to Rule 11.

2. The application for RRR asks for the Commission to conduct further formal, adjudicative hearings before disaggregating rural service areas. CTA argues that disaggregating high cost support (Rule 10) is entirely unrelated to disaggregating (or redefining) service areas (Rule 11). As such, disaggregation of any rural carrier's service area requires formal hearings at which evidence is presented to support that disaggregation. CTA argues that rural carriers have a property interest in maintaining their service areas. Before the Commission redefines any rural service areas, due process requires formal adjudicatory hearings.

3. We reject these arguments for the reasons stated in the Decision at pages 14 and 15. We believe that CTA is fundamentally incorrect in arguing that disaggregation for purposes of targeting support is unrelated to disaggregation for

purposes of redefining service areas. The main point of disaggregation is to ensure that high cost monies are used to support those access lines that are actually high cost within a rural carrier's service area. *Disaggregation is intended to better reflect the costs of providing service in particular geographic areas.*[1] Therefore, targeting of support is critically related to redefining of service areas.

4. CTA's assertions that due process requires formal disaggregation hearings is also misplaced. CTA cites no authority for the proposition that rural carriers have some legal entitlement to maintaining their service areas for purposes of receiving high cost support. Furthermore, Rule 11 does not actually disaggregate any carrier's service area. The Rule simply establishes the principle that the manner of disaggregating high cost support under Rule 10 (*i.e.*, paths 1, 2, or 3) will also be the manner of disaggregating service areas.

5. Under two of the three disaggregation paths (1 and 3) available under Rule 10 the carrier chooses how to disaggregate support. Therefore, under Rule 11, the rural carrier itself decides how to disaggregate its service area for

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[1] For example, the Decision observes that without disaggregation, competing ETCs could "cream-skim" rural customers. This concern was expressed in the Western Wireless decision cited by CTA. *See* Decision No. C01-476, pages 23 and 24.

two of the possible three paths. Thus, the suggestion that the Commission is imposing disaggregation methods upon unwilling carriers is erroneous. Under path 2 the Commission could order a disaggregation plan not proposed by the rural carrier. However, a ruling under path 2 would be made after formal application proceedings.[2] *See* Rule 10.2.6. CTA is, therefore, incorrect that disaggregation methods may be imposed on rural carriers without any process being accorded those carriers. The rules, in fact, contemplate formal proceedings in cases where the Commission might order some method not chosen by the carrier itself.

6. We conclude that the interests of competitive neutrality require consistency between the methods for disaggregating high cost support and the methods for disaggregating service areas. We also conclude that the adopted procedures for disaggregating high cost support and redefining rural service areas are reasonable and fair. For all these reasons CTA's Application for RRR is denied.

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[2] The Commission retains the authority to order a different disaggregation path other than one chosen by a rural carrier, but this also would take place only after formal proceedings. *See* Rules 10.1.3 and 10.3.5.